

## **REGULATION TO AMEND REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS AND EXEMPTIONS**

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (3), (4.1), (8), (9), (11), (26), (27) and (34))

1. Regulation 31-103 respecting Registration Requirements and Exemptions is amended by replacing the title with the following:

**“REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS”.**

2. Section 1.1 of the Regulation is amended:

(1) by replacing, in the French text of the definition of “ACCFM”, “ACCFM” with “ACFM”;

(2) by replacing, in paragraph (d) of the definition of “permitted client”, the words “or dealer, other than as a scholarship plan dealer or a restricted dealer” with the words “, investment dealer, mutual fund dealer or exempt market dealer”.

3. Paragraph (1) of section 1.3 of the Regulation is amended by replacing, wherever they occur, the words “registered firm” and the word “firm” with the word “person”.

4. Subparagraph (a) of paragraph (1) of section 2.2 of the Regulation is amended by replacing the word “he” with the word “the”.

5. Section 3.1 of the Regulation is amended:

(1) by replacing, in the definition of “PDO Exam”, the words “Investment Funds Institute of Canada” with the words “IFSE Institute”;

(2) by inserting, after the definition of “Canadian Securities Course Exam”, the following:

““Chief Compliance Officers Qualifying Exam” means the examination prepared and administered by CSI Global Education Inc. and so named on September 28, 2009, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;”;

(3) by replacing the definition of “Canadian Investment Funds Exam” with the following:

““Canadian Investment Funds Course Exam” means the examination prepared and administered by the IFSE Institute and so named on September 28, 2009, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;”.

6. Section 3.3 of the Regulation is replaced with the following:

### **“3.3. Time limits on examination requirements**

(1) For the purpose of this Part, an individual is deemed to have not passed an examination unless the individual passed the examination not more than 36 months before the date of his or her application for registration.

(2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:

(a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;

(b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.

(3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual's registration was suspended.”.

**7.** Paragraph (1) of section 3.4 of the Regulation is amended by adding, after the word “competently”, the words “, including understanding the structure, features and risks of each security the individual recommends”.

**8.** Section 3.5 of the Regulation is amended:

(1) by replacing, in the introductory sentence, the words “on behalf of the mutual fund dealer unless one or both” with the words “in respect of the securities listed in paragraph 7.1(2)(b) unless any”;

(2) by replacing, in paragraph (a), the words “Funds Exam” with the words “Funds Course Exam”;

(3) by replacing, in paragraph (b), the word “representative” with the word “individual”;

(4) by adding the following after paragraph (b) and making the necessary changes:

“(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual is exempt from section 3.11 because of subsection 16.10(1).”.

**9.** Section 3.6 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) in paragraph (a):

(a) by replacing, in subparagraph (i), the words “Funds Exam” with the words “Funds Course Exam”;

(b) by replacing subparagraph (ii) with the following:

“(ii) the PDO Exam, the Mutual Fund Dealers Compliance Exam or the Chief Compliance Officers Qualifying Exam;”;

(3) by adding the following after paragraph (b) and making the necessary changes:

“(c) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**10.** Section 3.7 of the Regulation is replaced with the following:

**“3.7. Scholarship plan dealer – dealing representative**

A dealing representative of a scholarship plan dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(c) unless the individual has passed the Sales Representative Proficiency Exam.”.

**11.** Section 3.8 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) by replacing paragraph (c) with the following:

“(c) the PDO Exam or the Chief Compliance Officers Qualifying Exam.”.

**12.** Section 3.9 of the Regulation is amended:

(1) by replacing, in the introductory sentence, the words “act as a dealer on behalf of the exempt market dealer” with the words “perform an activity listed in section 7.1(2)(d)”;

(2) by replacing paragraph (c) with the following:

“(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual satisfies the conditions set out in section 3.11;

(e) the individual is exempt from section 3.11 because of subsection 16.10(1).”.

**13.** Section 3.10 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) by replacing paragraph (a) with the following:

“(a) the individual has passed the following:

(i) the Exempt Market Products Exam or the Canadian Securities Course Exam; and

(ii) the PDO Exam or the Chief Compliance Officers Qualifying Exam;”;

(3) by adding the following after paragraph (b) and making the necessary changes:

“(c) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**14.** Section 3.11 of the Regulation is replaced with the following:

**“3.11. Portfolio manager – advising representative**

An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the individual has earned a CFA Charter and has gained 12 months of relevant investment management experience in the 36-month period before applying for registration;

(b) the individual has received the Canadian Investment Manager designation and has gained 48 months of relevant investment management experience, 12 months of which was gained in the 36-month period before applying for registration.”.

**15.** Section 3.12 of the Regulation is replaced with the following:

**“3.12. Portfolio manager – associate advising representative**

An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience;

(b) the individual has received the Canadian Investment Manager designation and has gained 24 months of relevant investment management experience.”.

**16.** Section 3.13 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) in paragraph (a):

(a) by replacing subparagraph (ii) with the following:

“(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and;”;

(b) by inserting, in subparagraph B) of subparagraph (iii) and after the word “and”, the word “also”;

(3) in paragraph (b):

(a) by replacing, in the introductory paragraph, the words “the PDO” with the words “either the PDO Exam or the Chief Compliance Officers Qualifying”;

(b) by inserting, in subparagraph (ii) and after the word “and”, the word “also”;

(4) by replacing, in paragraph (c), the words “the PDO” with the words “either the PDO Exam or the Chief Compliance Officers Qualifying”.

**17.** Section 3.14 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) in paragraph (a):

(a) by replacing subparagraph (ii) with the following:

“(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and”;

(b) by inserting, in subparagraph B) of subparagraph (iii) and after the word “and”, the word “also”;

(3) in paragraph (b):

(a) by replacing, in subparagraph (i), the words “Funds Exam” with the words “Funds Course Exam”;

(b) by adding, in subparagraph (ii) and after the word “Exam”, the words “or the Chief Compliance Officers Qualifying Exam”;

(4) by adding the following after paragraph (c) and making the necessary changes:

“(d) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**18.** Section 3.15 of the Regulation is replaced with the following:

**“3.15. Who must be approved by an SRO before registration**

(1) A dealing representative of an investment dealer that is a member of IIROC must be an “approved person” as defined under the rules of IIROC.

(2) Except in Québec, a dealing representative of a mutual fund dealer that is a member of the MFDA must be an “approved person” as defined under the rules of the MFDA.”.

**19.** Section 3.16 of the Regulation is amended:

(1) by replacing, in the French text of paragraph (2), “ACCFM” with “ACFM”;

(2) by replacing paragraph (3) with the following:

“(3) In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.”.

**20.** Section 4.1 of the Regulation is replaced with the following:

**“4.1. Restriction on acting for another registered firm**

(1) A registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual

(a) acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or

(b) is registered as a dealing, advising or associate advising representative of another registered firm.

(2) Paragraph (1)(b) does not apply in respect of a representative whose registration as a dealing, advising or associate advising representative of more than one registered firm was granted before July 11, 2011.”.

**21.** Paragraph (b) of section 5.2 of the French text of the Regulation is amended by replacing the word “contrôler” with the word “surveiller”.

**22.** Section 6.7 of the Regulation is replaced with the following:

**“6.7. Exception for individuals involved in a hearing or proceeding**

Despite section 6.6, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant’s registration remains suspended.”.

**23.** Section 7.1 of the Regulation is amended:

(1) by deleting, in subparagraph (ii) of subparagraph (b) of paragraph (2), the words “except in Québec,”;

(2) by deleting paragraph (3).

**24.** Section 8.6 of the Regulation is amended:

(1) by replacing the title with the following:

**“8.6. Investment fund trades by adviser to managed account”;**

(2) by replacing, in paragraph (1), the words “a non-prospectus qualified investment fund” with the words “an investment fund”;

(3) by deleting, in paragraph (2), the words “non-prospectus qualified”;

(4) by replacing, in paragraph (3), “7” with “10”.

**25.** Paragraph (1) of section 8.16 of the Regulation is amended by deleting the definition of “control person”.

**26.** Paragraph (5) of section 8.17 of the Regulation is amended by replacing “8.3.1” with “8.4”.

**27.** Section 8.18 of the Regulation is amended:

(1) by replacing paragraph (1) with the following:

“(1) In this section

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

(a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada;

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada;

“foreign security” means

(a) a security issued by an issuer incorporated, formed or created under the laws of a foreign jurisdiction, or

(b) a security issued by a government of a foreign jurisdiction.”;

(2) in paragraph (2):

(a) by inserting, in the introductory sentence and after the words “in respect of”, the word “any of”;

(b) by inserting, in subparagraphs (b), (c) and (d) and after the words “security with a”, the word “Canadian”;

(3) in paragraph (3):

(a) by replacing, in the introductory sentence, the words “The exemptions under subsection (2) are” with the words “The exemption under subsection (2) is”;

(b) by replacing subparagraph (d) with the following:

“(d) the person is acting as principal or as agent for

(i) the issuer of the securities,

(ii) a permitted client, or

(iii) a person that is not a resident of Canada;”;

(4) by replacing paragraphs (4) and (5) with the following:

“(4) The exemption under subsection (2) is not available to a person in respect of a trade with a Canadian permitted client unless one of the following applies:

(a) the Canadian permitted client is a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

(b) the person has notified the Canadian permitted client of all of the following:

(i) the person is not registered in the local jurisdiction to make the trade;

(ii) the foreign jurisdiction in which the head office or principal place of business of the person is located;

(iii) all or substantially all of the assets of the person may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the person because of the above;

(v) the name and address of the agent for service of process of the person in the local jurisdiction.

(5) A person that relied on the exemption in subsection (2) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.”;

(5) by adding the following after paragraph (6):

“(7) The adviser registration requirement does not apply to a person that is exempt from the dealer registration requirement under this section if the person provides advice to a client and the advice is

(a) in connection with an activity or trade described under subsection (2), and

(b) not in respect of a managed account of the client.”.

**28.** Subparagraph (a) of paragraph (2) of section 8.19 of the Regulation is amended by adding, at the end of subparagraph (i), the words “in respect of securities listed in paragraph 7.1(2)(b)”.

**29.** Subparagraph (d) of paragraph (2) of section 8.22 of the Regulation is amended by replacing “\$25 000” with “\$25,000”.

**30.** Section 8.26 of the Regulation is amended:

(1) by replacing, in paragraph (2), the definition of “permitted client” with the following:

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (c), (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

(a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada; and

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada.”;

(2) by replacing paragraph (3) with the following:

“(3) The adviser registration requirement does not apply to a person in respect of its acting as an adviser to a Canadian permitted client if the adviser does not advise that client on securities of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.”;

(3) in paragraph (4):

(a) by deleting, in subparagraph (b) and after the word “registered”, “,”;

(b) by replacing, in subparagraph (d), the word “during” with the words “as at the end of”;

(c) by replacing subparagraph (e) with the following:

“(e) before advising a client, the adviser notifies the client of all of the following:

(i) the adviser is not registered in the local jurisdiction to provide the advice described under subsection (3);

(ii) the foreign jurisdiction in which the adviser's head office or principal place of business is located;

(iii) all or substantially all of the adviser's assets may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the adviser because of the above;

(v) the name and address of the adviser's agent for service of process in the local jurisdiction;";

(4) by replacing paragraph (5) with the following:

"(5) A person that relied on the exemption in subsection (3) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year."

**31.** Section 8.27 of the Regulation is amended by replacing, in the French text of the introductory sentence, the word "courtier" with the words "gestionnaire de fonds d'investissement".

**32.** Section 8.29 of the Regulation is amended by adding the following after paragraph (2):

"(3) This section does not apply in Ontario."

**33.** Section 9.3 of the Regulation is amended:

(1) by replacing, in the title, "**SRO**" with "**IIROC**";

(2) in paragraph (1):

(a) by replacing the introductory sentence with the following:

"(1) Unless it is also registered as an investment fund manager, a registered firm that is a member of IIROC is exempt from the following requirements:";

(b) by inserting the following after subparagraph (1):

"(1.1) section 13.15;";

(3) by replacing paragraph (2) with the following:

"(2) Despite subsection (1), if a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from the following requirements:

(a) section 12.3;

(b) section 12.6;

(c) section 12.12;

(d) subsection 13.2(3);

(e) section 13.3;

(f) section 13.12;

- (g) section 13.13;
- (h) section 13.15;
- (i) subsection 14.2(2);
- (j) section 14.6;
- (k) section 14.8;
- (l) section 14.9;
- (m) section 14.12.”;

(4) by deleting paragraphs (3) to (6).

**34.** The Regulation is amended by adding the following after section 9.3:

**“9.4. Exemptions from certain requirements for MFDA members**

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a registered firm that is a member of the MFDA is exempt from the following requirements:

- (a) section 12.1;
- (b) section 12.2;
- (c) section 12.3;
- (d) section 12.6;
- (e) section 12.7;
- (f) section 12.10;
- (g) section 12.11;
- (h) section 12.12;
- (i) section 13.3;
- (j) section 13.12;
- (k) section 13.13;
- (l) section 13.15;
- (m) subsection 14.2(2);
- (n) section 14.6;
- (o) section 14.8;
- (p) section 14.9;
- (q) section 14.12.

(2) If a registered firm is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3;
- (b) section 12.6;
- (c) section 13.3;
- (d) section 13.12;
- (e) section 13.13;
- (f) section 13.15;
- (g) subsection 14.2(2);
- (h) section 14.6;
- (i) section 14.8;
- (j) section 14.9;
- (k) section 14.12.

(3) Subsections (1) and (2) do not apply in Québec.

(4) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.”.

**35.** Section 10.6 of the Regulation is replaced with the following:

**“10.6. Exception for firms involved in a hearing or proceeding**

Despite section 10.5, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant’s registration remains suspended.”.

**36.** Section 11.1 of the Regulation is amended, in the French text of the introductory sentence, by replacing the word “contrôles” with the word “contrôle”.

**37.** Paragraph (2) of section 11.2 of the Regulation is replaced with the following:

“(2) A registered firm must designate an individual under subsection (1) who is one of the following:

- (a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;
- (b) the sole proprietor of the registered firm;
- (c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.”.

**38.** The title of section 11.4 of the Regulation is replaced with the following:

**“11.4. Providing access to the board of directors”.**

**39.** Subparagraph (a) of paragraph (2) of section 11.5 of the Regulation is amended by inserting, after the words “delivered to”, the words “the regulator or, in Québec,”.

**40.** Section 11.6 of the Regulation is amended:

(1) by inserting, in subparagraph (c) of paragraph (1) and after the words “the regulator or”, the words “, in Québec,”;

(2) by inserting, in paragraph (2) and after the words “the regulator or”, the words “, in Québec,”;

**41.** Section 11.9 of the Regulation is amended:

(1) in paragraph (3):

(a) by deleting, in subparagraph (a), the words “in connection with an amalgamation, merger, arrangement, reorganization or treasury issue”;

(b) by deleting, in subparagraph (b), the words “that are listed and posted for trading on an exchange”;

(2) by inserting, in paragraph (4) and after the words “that the regulator”, the words “or the securities regulatory authority”;

(3) by inserting, in paragraph (6) and after the words “the regulator or”, the words “, in Québec,”.

**42.** Section 11.10 of the Regulation is amended:

(1) by replacing paragraph (3) with the following:

“(3) This section does not apply to an acquisition in which the beneficial ownership of, or direct or indirect control or direction over, a registered firm does not change.”;

(2) by replacing, in paragraph (4), the word “transaction” with the word “acquisition”.

**43.** Section 12.1 of the Regulation is amended:

(1) by replacing, in paragraph (1), the word “using” with the words “in accordance with”;

(2) by replacing paragraph (2) with the following:

“(2) The excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 Calculation of Excess Working Capital, must not be less than zero for 2 consecutive days.”;

(3) by adding the following after paragraph (4):

“(5) This section does not apply to a registered firm that is a member of IIROC and is registered as an investment fund manager if all of the following apply:

(a) the firm has a minimum capital of not less than \$100,000 as calculated in accordance with IIROC Form 1 Joint Regulatory Financial Questionnaire and Report;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 Joint Regulatory Financial Questionnaire and Report is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with IIROC Form 1 Joint Regulatory Financial Questionnaire and Report, is not less than zero for 2 consecutive days.

(6) This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:

(a) the firm has a minimum capital, as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report, of not less than

(i) \$50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer,

(ii) \$100,000, if the firm is registered as an investment fund manager;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report, is not less than zero for 2 consecutive days.”.

**44.** Section 12.2 of the Regulation is amended by replacing “5” with “10”.

**45.** Paragraph (2) of section 12.3 of the Regulation is amended by deleting, after the words “Appendix A”, the word “and”.

**46.** Paragraphs (2) and (3) of section 12.4 of the Regulation are amended by deleting, after the words “Appendix A”, the word “and”.

**47.** Paragraph (2) of section 12.5 of the Regulation is amended by deleting, after the words “Appendix A”, the word “and”.

**48.** Section 12.8 of the Regulation is amended:

(1) by replacing, in the title, the words “**a regulator or**” with the words “**the regulator or the**”;

(2) by replacing, in the introductory sentence, the word “submit” with the word “deliver”;

(3) by replacing, in paragraph (b), “7th” with “10th”.

**49.** Paragraph (1) of section 12.10 of the Regulation is amended by inserting, after the word “regulator”, the words “or, in Québec, the securities regulatory authority”.

**50.** Paragraph (1) of section 12.11 of the Regulation is amended by inserting, after the word “regulator”, the words “or, in Québec, the securities regulatory authority”.

**51.** Section 12.12 of the Regulation is amended:

(1) par inserting the following after paragraph (2):

“(2.1) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:

(a) the firm has a minimum capital of not less than \$50,000 as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 MFDA Financial Questionnaire and Report no later than the 90th day after the end of its financial year that shows the calculation of the firm’s risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 MFDA Financial Questionnaire and Report no later than the 30th day after the end of the first, second and third quarter of its financial year that shows the calculation of the firm’s risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.”;

(2) by replacing paragraph (3) with the following:

“(3) Subsection (2) does not apply to an exempt market dealer unless it is also registered in another category.”.

**52.** Section 12.14 of the Regulation is amended by adding the following after paragraph (3):

“(4) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

(a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with IIROC Form 1 Joint Regulatory Financial Questionnaire and Report;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 Joint Regulatory Financial Questionnaire and Report, no later than the 90th day after the end of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 Joint Regulatory Financial Questionnaire and Report, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(5) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

(a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 MFDA Financial Questionnaire and Report, no later than the 90th day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 MFDA Financial Questionnaire and Report, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.”.

**53.** Section 13.1 of the Regulation is replaced with the following:

**“13.1. Investment fund managers exempt from this Division**

This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.”.

**54.** Section 13.2 of the Regulation is amended:

(1) in paragraph (3):

(a) by deleting, in the introductory sentence, the words “under paragraph (2)(a)”;

(b) by replacing, in subparagraph (i) of subparagraph (b), “10%” with “25%”;

(c) by adding the following after paragraph (6):

“(7) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and (2)(c).”.

**55.** Paragraph (b) of section 13.6 of the Regulation is amended by inserting, after the words “affiliate of”, the words “, or is managed by an affiliate of,”.

**56.** Sections 13.8 and 13.9 of the Regulation are replaced with the following:

**“13.8. Permitted referral arrangements**

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person unless,

(a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between the registered firm and the person;

(b) the registered firm records all referral fees, and

(c) the registrant ensures that the information prescribed by subsection 13.10(1) is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

**“13.9. Verifying the qualifications of the person receiving the referral**

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer a client to another person unless the firm first takes

reasonable steps to satisfy itself that the person has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.”.

**57.** Paragraph (1) of section 13.10 of the Regulation is amended:

(1) by replacing, in subparagraph (a), the words “referral arrangement” with the words “agreement referred to in paragraph 13.8(a)”;

(2) by replacing, in paragraph (b), the words “referral arrangement” with the word “agreement”;

(3) by replacing, in paragraph (c), the words “referral arrangement” with the word “agreement”;

(4) by replacing, in the French text of paragraph (e), the words “à l’entente” with the words “au contrat”.

**58.** Section 13.12 of the Regulation is replaced with the following:

**“13.12. Restriction on lending to clients**

(1) A registrant must not lend money, extend credit or provide margin to a client.

(2) Notwithstanding subsection (1), an investment fund manager may lend money on a short term basis to an investment fund it manages, if the loan is for the purpose of funding redemptions of its securities or meeting expenses incurred by the investment fund in the normal course of its business.”.

**59.** Paragraph (2) of section 13.13 of the Regulation is amended:

(1) by adding, at the end of the introductory sentence, the words “if one of the following applies”;

(2) by deleting, in the French text of subparagraph (a), the word “tôt”;

(3) by deleting subparagraph (b), and making the necessary changes.

**60.** Section 13.14 of the Regulation is amended:

(1) by replacing paragraph (1) with the following:

“(1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.”;

(2) by replacing, in paragraph (2), the words “A registered firm in Québec” with the words “In Québec, a registered firm”.

**61.** Section 14.1 of the Regulation is replaced with the following:

**“14.1. Investment fund managers exempt from Part 14**

Other than sections 14.6, 14.12(5) and 14.14, this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.”.

**62.** Paragraph (2) of section 14.2 is amended:

(1) by replacing subparagraph (j) with the following:

“(j) if section 13.16 applies to the registered firm, disclosure that independent dispute resolution or mediation services are available at the registered firm’s expense, to resolve any dispute that might arise between the client and the firm about any trading or advising activity of the firm or one of its representatives;”;

(2) by replacing, in subparagraph (k), the word “firm” with the words “registered firm”.

**63.** Section 14.5 of the Regulation is replaced with the following:

**“14.5. Notice to clients by non-resident registrants**

(1) A registered firm whose head office is not located in the local jurisdiction must provide a client in the local jurisdiction with a statement in writing disclosing the following:

- (a) the firm is not resident in the local jurisdiction;
- (b) the jurisdiction in Canada or the foreign jurisdiction in which the head office or the principal place of business of the firm is located;
- (c) all or substantially all of the assets of the firm may be situated outside the local jurisdiction;
- (d) there may be difficulty enforcing legal rights against the firm because of the above;
- (e) the name and address of the agent for service of process of the firm in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm is registered in the local jurisdiction.”.

**64.** Section 14.12 of the Regulation is amended:

(1) by replacing the introductory sentence of paragraph (1) with the following:

“A registered dealer that has acted on behalf of a client in connection with a purchase or sale of a security must promptly deliver to the client or, if the client consents in writing, to a registered adviser acting for the client, a written confirmation of the transaction, setting out the following:”;

(2) by replacing paragraph (3) with the following:

“(3) Paragraph (1)(h) does not apply if all of the following apply:

- (a) the security is a security of a mutual fund that is established and managed by the registered dealer or by an affiliate of the registered dealer, in its capacity as investment fund manager of the mutual fund;
- (b) the names of the dealer and the mutual fund are sufficiently similar to indicate that they are affiliated or related.”;

(2) by adding the following after paragraph (4):

“(5) A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

- (a) the quantity and description of the security redeemed;

- (b) the price per security received by the client;
- (c) the commission, sales charge, service charge and any other amount charged in respect of the redemption;
- (d) the settlement date of the redemption.

(6) Section 14.12 (5) does not apply to trades in a security of an investment fund made on reliance on section 8.6.”.

**65.** Section 14.13 of the Regulation is amended:

(1) by replacing, in the title, the words “**Semi-annual confirmations**” with the word “**Confirmations**”;

(2) by deleting paragraph (d), and making the necessary changes.

**66.** Section 14.14 of the Regulation is amended:

(1) by replacing the title with the following:

“**14.14. Account statements**”;

(2) by deleting, in paragraph (2), the words “, other than a mutual fund dealer,”;

(3) by inserting the following after paragraph (2):

“(2.1) Subsection (2) does not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in paragraph 7.1(2)(b).”;

(4) by inserting the following after paragraph (3):

“(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months.”;

(5) by replacing paragraph (4) with the following:

“(4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.”;

(6) by replacing the introductory sentence of paragraph (5) with the following:

“A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client’s or security holder’s account as at the end of the period for which the statement is made.”;

(7) by replacing paragraph (6) with the following:

“(6) Subsections (1) and (2) do not apply to a scholarship plan dealer if both of the following apply:

(a) the dealer is not registered in another dealer or adviser category;

(b) the dealer delivers to the client a statement at least once every 12 months that provides the information in subsections (4) and (5).”.

**67.** Paragraph (1) of section 15.1 of the Regulation is amended by inserting, after the words “regulator or”, the words “, in Québec,”.

**68.** Paragraph (3) of section 16.4 of the Regulation is amended by inserting, after the words “registered dealer or”, the word “a”.

**69.** Paragraphs (1) and (2) of section 16.5 of the Regulation are replaced with the following:

“(1) A person is not required to register in the local jurisdiction as an investment fund manager if it is registered, or has applied for registration, as an investment fund manager in the jurisdiction of Canada in which its head office is located.

(2) Subsection (1) ceases to have effect on September 28, 2012.”.

**70.** Paragraph (2) of section 16.6 of the Regulation is replaced with the following:

“(2) Subsection (1) ceases to have effect on September 28, 2012.”.

**71.** Paragraph (2) of section 16.9 of the Regulation is amended by inserting, in the introductory sentence and after the words “firm’s compliance officer”, the words “in a jurisdiction of Canada”.

**72.** Paragraph (1) of section 16.10 of the Regulation is amended by inserting, after the words “is registered”, the words “in a jurisdiction of Canada”.

**73.** Section 16.16 of the Regulation is amended:

(1) by inserting, in paragraph (1) and after the word “firm”, the words “in a jurisdiction of Canada”;

(2) by replacing paragraph (2) with the following:

“(2) Subsection (1) ceases to have effect on September 28, 2012.”.

**74.** Section 16.17 of the Regulation is replaced with the following:

**“16.17. Account statements – mutual fund dealers**

(1) Section 14.14 does not apply to a person that was, on September 28, 2009, either of the following:

(a) a member of the MFDA;

(b) a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.

(2) Subsection (1) ceases to have effect on September 28, 2011.”.

75. Form 31-103F1 of the Regulation is replaced with the following:

**“FORM 31-103F1  
CALCULATION OF EXCESS WORKING CAPITAL**

\_\_\_\_\_  
Firm Name

Capital Calculation  
(as at \_\_\_\_\_ with comparative figures as at \_\_\_\_\_)

	Component	Current period	Prior period
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations		

11.	Less Guarantees		
12.	Less unresolved differences		
13.	Excess working capital		

**Notes:**

This form must be prepared using the accounting principles that you use to prepare your financial statements in accordance with Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards (M.O. 2010-16, 10-12-03). Section 12.1 of Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations provides further guidance in respect of these accounting principles.

**Line 5. Related-party debt** – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises.

**Line 8. Minimum Capital** – The amount on this line must be not less than (a) \$25,000 for an adviser and (b) \$50,000 for a dealer. For an investment fund manager, the amount must be not less than \$100,000 unless subsection 12.1(4) applies.

**Line 9. Market Risk** – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

**Line 11. Guarantees** – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm’s statement of financial position as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

**Line 12. Unresolved differences** – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation.

The examples below provide guidance as to how to calculate unresolved differences:

(i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the fair value of the client securities that are short, plus the applicable margin rate for those securities.

(ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the fair value of the investments (securities) that are short.

(iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Please refer to section 12.1 of Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations for further guidance on how to prepare and file this form.

**Management Certification****Registered Firm Name:** \_\_\_\_\_

We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at \_\_\_\_\_.

**Name and Title****Signature****Date**

1.

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**“SCHEDULE 1 OF FORM 31-103F1 CALCULATION OF EXCESS  
WORKING CAPITAL  
(calculating line 9 [market risk])**

For purposes of completing this form:

(1) “Fair value” means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

(a) Bonds, Debentures, Treasury Bills and Notes

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	1% of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3% of fair value

over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year:	3% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	5 % of fair value
over 3 years to 7 years:	5% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iv) Other non-commercial bonds and debentures, (not in default):  
10% of fair value

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

within 1 year:	3% of fair value
over 1 year to 3 years:	6 % of fair value
over 3 years to 7 years:	7% of fair value
over 7 years to 11 years:	10% of fair value
over 11 years:	10% of fair value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Foreign Bank Paper" consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than \$200,000,000.

(d) Mutual Funds

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

(i) 5% of the net asset value per security as determined in accordance with Regulation 81-106 respecting Investment Fund Continuous Disclosure

(M.O. 2005-05, 05-05-19), where the fund is a money market mutual fund as defined in Regulation 81-102 respecting Mutual Funds (Decision 2001-C-0209, 01-05-22); or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with Regulation 81-106 respecting Investment Fund Continuous Disclosure.

(e) Stocks

In this paragraph, "securities" includes rights and warrants and does not include bonds and debentures.

(i) On securities including investment fund securities, rights and warrants, listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

Securities selling at \$2.00 or more – 50% of fair value

Securities selling at \$1.75 to \$1.99 – 60% of fair value

Securities selling at \$1.50 to \$1.74 – 80% of fair value

Securities selling under \$1.50 – 100% of fair value

Short Positions – Credit Required

value Securities selling at \$2.00 or more – 150% of fair

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

value Securities selling at \$0.25 to \$1.49 – 200% of fair

\$0.25 per shares Securities selling at less than \$0.25 – fair value plus

(ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

- (a) Australian Stock Exchange Limited
- (b) Bolsa de Madrid
- (c) Borsa Italiana
- (d) Copenhagen Stock Exchange
- (e) Euronext Amsterdam
- (f) Euronext Brussels
- (g) Euronext Paris S.A.
- (h) Frankfurt Stock Exchange
- (i) London Stock Exchange
- (j) New Zealand Exchange Limited
- (k) Stockholm Stock Exchange
- (l) Swiss Exchange
- (m) The Stock Exchange of Hong Kong Limited
- (n) Tokyo Stock Exchange

(f) Mortgages

Ontario: (i) For a firm registered in any jurisdiction of Canada except

- (a) Insured mortgages (not in default): 6% of fair value
- (b) Mortgages which are not insured (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.
- (ii) For a firm registered in Ontario:
  - (a) Mortgages insured under the National Housing Act (R.S.C., 1985, c. N-11) (not in default): 6% of fair value
  - (b) Conventional first mortgages (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.
  - (g) For all other securities – 100% of fair value.”.

**76.** Form 31-103F2 of the Regulation is replaced with the following:

**“FORM 31-103F2 SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE  
(sections 8.18 [international dealer] and 8.26 [international adviser])**

1. Name of person (“International Firm”):
2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm.
3. Jurisdiction of incorporation of the International Firm:
4. Head office address of the International Firm:
5. The name, e-mail address, phone number and fax number of the International Firm’s chief compliance officer.  
 Name:  
 E-mail address:  
 Phone:  
 Fax:
6. Section of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations the International Firm is relying on:
  - ☐ Section 8.18
  - ☐ Section 8.26
  - ☐ Other
7. Name of agent for service of process (the "Agent for Service"):
8. Address for service of process on the Agent for Service:
9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

11. Until 6 years after the International Firm ceases to rely on section 8.18 or section 8.26, the International Firm must submit to the securities regulatory authority

a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and

b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.

12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of the International Firm or authorized signatory)

\_\_\_\_\_  
(Name and Title of authorized signatory)

#### **Acceptance**

The undersigned accepts the appointment as Agent for Service of (Insert name of International Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Agent for Service or authorized signatory)

\_\_\_\_\_  
(Name and Title of authorized signatory)".

**77.** Form 31-103F3 of the Regulation is amended:

(1) by replacing, in the French text of the title, “(articles 2.2)” with “(article 2.2)”;

(2) by replacing, in the first paragraph, the words “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.

**78.** Appendix B of the Regulation is amended:

(1) by replacing, in the paragraph before the introductory sentence, the words “and Exemptions” with the words “, Exemptions and Ongoing Registrant Obligations”;

(2) by replacing, in paragraph (1), the word “owned” with the word “owed”;

(3) by replacing, in paragraph (4), the words “prior to” with the words “10 days before”.

**79.** The Regulation is amended by replacing, wherever it occurs in the French text, “ACCFM” with “ACFM”.

**80.** This Regulation comes into force on *(insert the date of coming into force of this Regulation)*.